

CITY OF ROGERS CITY
PRESQUE ISLE COUNTY
STATE OF MICHIGAN

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDED JUNE 30, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name ROGERS CITY	County PRESQUE ISLE
Fiscal Year End JUNE 30, 2006	Opinion Date OCTOBER 19, 2006	Date Audit Report Submitted to State DECEMBER 18, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☒ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☒ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☒ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☒ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.


We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	NA	
Certified Public Accountant (Firm Name) QUAST JANKE AND COMPANY CPA'S PC		Telephone Number 989-892-4549	
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Authorizing CPA Signature 		Printed Name DAVID GWIZDALA, CPA	License Number 1101019683

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INDEPENDENT AUDITOR'S REPORT

October 19, 2006

To the City Council
The City of Rogers City
Presque Isle County
Rogers City, Michigan 49779

We have audited the financial statements of the governmental activities, business-type activities, and major funds as of and for the year ended June 30, 2006 which collectively comprise the City of Rogers City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, business-type activities, the discretely presented component units and each major fund as of June 30, 2006, and the changes in financial position and cash flows, where applicable, of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consist principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

To the City Council
The City of Rogers City
October 19, 2006
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Our audit was conducted for the purpose of forming an opinion on the City's basic financial statements. The individual fund statements and schedules described in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

QUAST, JANKE AND COMPANY


Certified Public Accountants, P.C.

CITY OF ROGERS CITY
Presque Isle County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

This section of the City of Rogers City's annual Financial Report presents Management's Discussion and Analysis of the City's financial activities during the fiscal year ended June 30, 2006. The analysis focuses on the City's financial performance as a whole. Please read it in conjunction with the City's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Rogers City exceeded liabilities at June 30, 2006, by \$4,904,659. Of this amount \$735,856 is unrestricted and not subject to the constraints of restricted net assets imposed by creditors, contributors, or laws and regulations.
- The City's net assets decreased by \$149,601 during the year. As explained in Note 11, \$200,000 is related to debt not previously reported. The assets of our governmental activities decreased by \$881,145 and the assets of our business-type activities increased by \$731,544 due to a transfer of assets of \$825,164.
- As explained in Note 10, for the current year the City has discretely presented the DDA and housing Commission as component units. In prior years these component units were included (blended) in the City's statements.
- The fund balance in the general fund increased from \$529,110 to \$617,309.

USING THIS REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- Government-wide Financial Statements consists of a statement of net assets and a statement of activities. These provide information about the activities of the City as a whole and represent an overall view of the City's finances.
- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. The Fund Financial Statements report the City's operations in more detail than the government-wide statements by providing information about the major funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information, other than MD&A, provides information about the required budgetary comparison information.
- Other Additional Information provides detailed information about the General Fund and Debt.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities - the Government-wide statements report information about the City as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

CITY OF ROGERS CITY
Presque Isle County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

One of the most important questions asked about the City's finances is: Is the City as a whole better or worse off as a result of the year's activities? The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private sector companies. The two statements report the City's net assets, which are the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors such as changes in the City's property tax base and the condition of the City's infrastructure are also important in making this decision.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** - Most of the City's basic services are reported here, such as public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- **Business-Type Activities** - This activity includes the wastewater treatment, water, marina, and refuse. These activities are financed primarily by user charges.

REPORTING THE CITY'S MAJOR FUNDS

The fund financial statements provide detailed information about individual, significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City can establish other funds to control and manage money for particular purposes (such as construction or street projects) and to show that it is properly using certain revenues (such as tax increment financing revenues). The City has two kinds of funds:

Governmental Funds

The Governmental Funds account for most of the City's basic services. They focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include the General Fund; Special Revenue Funds such as Major Street and Local Street. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The government fund statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The financial statements required for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

Proprietary Funds

Proprietary Funds account for the City's enterprise funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of

CITY OF ROGERS CITY
Presque Isle County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

Activities. The major difference between the proprietary fund and the business-type activities included in the government-wide statement is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The enterprise fund includes the Wastewater Treatment Plant, Water, Marina, and Refuse Funds, and considered to be major funds of the City. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in net assets and a statement of cash flows.

GOVERNMENT- WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as useful indicator of financial position. The following analysis shows the City's total net assets at June 30, 2006 and 2005. As explained in Notes 10 – 12 the balances have been restated for 2005.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
ASSETS						
Current and other assets	\$ 1,868,371	\$ 1,481,727	\$ 602,592	\$ 625,298	\$ 2,470,963	\$ 2,107,025
Capital assts net of accumulated depreciation	<u>3,355,582</u>	<u>4,765,896</u>	<u>6,552,016</u>	<u>5,917,443</u>	<u>9,907,598</u>	<u>10,683,339</u>
Total Assets	5,223,953	6,247,623	7,154,608	6,542,741	12,378,561	12,790,364
LIABILITIES						
Current liabilities	147,437	55,093	168,019	177,774	315,456	232,867
Long-term liabilities	<u>171,857</u>	<u>206,726</u>	<u>605,000</u>	<u>714,922</u>	<u>776,857</u>	<u>921,648</u>
Total Liabilities	319,294	261,819	773,019	892,696	1,092,313	1,154,515
NET ASSETS						
Invested in capital assets						
Net of related debt	3,155,584	4,175,361	5,857,016	5,086,979	9,012,600	9,262,340
Restricted	1,013,219	657,744	-	186,091	1,013,219	843,835
Unrestricted	<u>735,856</u>	<u>1,152,699</u>	<u>524,573</u>	<u>376,975</u>	<u>1,260,429</u>	<u>1,529,674</u>
Total Net Assets	<u>\$ 4,904,659</u>	<u>\$ 5,985,804</u>	<u>\$ 6,381,589</u>	<u>\$ 5,650,045</u>	<u>\$ 11,286,248</u>	<u>\$ 11,635,849</u>

The largest portion of the City's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with other sources of assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Total unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements is approximately \$735,856.

CITY OF ROGERS CITY
Presque Isle County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

The following analysis provides the changes in the net assets for the City's governmental and business-type activities:

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
REVENUES						
Program Revenues						
Charges for services	\$ 83,882	\$ 32,623	\$ 1,229,140	1,360,045	\$ 1,313,022	1,392,668
Operating grants & contributions	353,443	391,716	-	101,389	353,443	493,105
General Revenues						
Property Taxes	1,097,872	1,088,535	-	-	1,097,872	1,088,535
State shared revenue	380,285	383,226	-	-	380,285	383,226
Investment earnings	77,319	31,375	16,671	10,483	93,990	41,858
Asset Transferred	(825,146)	-	825,146	-	-	-
Miscellaneous	<u>4,339</u>	<u>260,863</u>	<u>17,409</u>	<u>54,640</u>	<u>21,748</u>	<u>315,503</u>
Total Revenues	1,171,994	2,188,338	2,088,366	1,526,557	3,260,360	3,714,895
PROGRAM EXPENSES						
Community development	44,850	49,572	-	-	44,850	49,572
General government	532,684	379,149	-	-	532,684	379,149
Public safety	611,256	500,322	-	-	611,256	500,322
Public works	232,434	178,368	-	-	232,434	178,368
Highways and streets	409,127	357,120	-	-	409,127	357,120
Recreation and cultural	222,788	214,929	-	-	222,788	214,929
Interest on long-term debt	-	16,755	-	-	-	16,755
Wastewater Treatment	-	-	413,185	373,644	413,185	373,644
Water	-	-	367,171	279,405	367,171	279,405
Marina	-	-	427,157	484,528	427,157	484,528
Refuse	-	-	148,318	142,340	148,318	142,340
Other	<u>-</u>	<u>389,958</u>	<u>991</u>	<u>170,929</u>	<u>991</u>	<u>560,887</u>
Total Expenses	<u>2,053,139</u>	<u>2,086,173</u>	<u>1,356,822</u>	<u>1,450,846</u>	<u>3,409,961</u>	<u>3,537,019</u>
INCREASE (DECREASE)						
IN NET ASSETS	<u>\$ (881,145)</u>	<u>\$ 102,165</u>	<u>\$ 731,544</u>	<u>\$ 75,711</u>	<u>\$ (149,601)</u>	<u>\$ 177,876</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Rogers City completed its year, its governmental funds reported a total fund balance of \$423,583, which is less than the \$423,923 total fund balance at June 30, 2005.

- The General Fund, the operating fund for the City, ended FY06 with a \$617,309 balance compared to the prior year ending fund balance of \$529,111.
- Major Street Fund Balance increased by \$93,426.
- Local Street Fund Balance decreased by \$15,945.

CITY OF ROGERS CITY
Presque Isle County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

As the City of Rogers City completed its year, its business-type funds reported total net assets of \$6,381,587, which is more than the \$5,650,045 total fund balance at June 30, 2005.

- Wastewater Treatment Fund net assets increased by \$503,658.
- Water Fund net assets increased by \$266,809.
- Marina Fund net assets increased by \$17,738.
- Refuse Fund net assets decreased by \$83.

BUDGETARY HIGHLIGHTS

During the year ended June 30, 2006, the City amended the budget four (4) times. The amendments were done to cover unplanned expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The City's investment in capital assets, including land, buildings and improvements, equipment, water systems, sewer systems, lighting systems, traffic signals and other infrastructure represents the value of the resources utilized to provide services to citizens. Capital assets for governmental activities totaled \$3,355,584 (net of accumulated depreciation) at June 30, 2006. Capital assets for business-type activities totaled \$6,552,016 (net of accumulated depreciation) at June 30, 2006. See the notes to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included office equipment.

For business-type activities, a water line was replaced.

As of June 30, 2006, the City had total debt outstanding of \$895,000. Of this amount \$695,000 are general obligation bonds.

CITY OF ROGERS CITY
Presque Isle County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

LONG-TERM DEBT

Long-term obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Additional Borrowing</u>	<u>Beginning Balances</u>	<u>Principal Payments (Deductions)</u>	<u>Ending Balance</u>	<u>Current Portion</u>
GOVERNMENTAL – TYPE ACTIVITIES						
Community Development Grant/Loan	0.00	-	<u>\$ 200,000</u>	<u>-</u>	<u>\$ 200,000</u>	<u>\$ 28,143</u>
BUSINESS – TYPE ACTIVITIES						
Marina Fund Bonds						
1994 General Obligation	5.375 - 5.75	-	\$ 190,000	\$ (35,000)	\$ 155,000	\$ 35,000
1995 General Obligation	5.2 - 5.7	-	180,000	(30,000)	150,000	30,000
2000 General Obligation	5.05 - 5.45	-	415,000	(25,000)	390,000	25,000
Total Business-Type Activity			<u>\$ 785,000</u>	<u>\$ (90,000)</u>	<u>\$ 695,000</u>	<u>\$ 90,000</u>
COMPONENT UNIT						
Downtown Development Community Development Loan Huron National Bank	7.51	-	<u>\$ 192,236</u>	<u>\$ (14,894)</u>	<u>\$ 177,342</u>	<u>\$ 19,358</u>

Annual debt service requirements are detailed in the other additional information schedules.

ECONOMIC FACTORS

Our elected officials consider many factors when setting the City's 2006 fiscal year budget. One of the most important factors affecting the budget is the State of Michigan's economy. Other factors affecting the budget are changes in property tax values, state revenue sharing decreases and available grants.

The City's Council has tried to spend conservatively. Costs for health care, insurance and utilities continue to rise. The City maintains its facilities but struggles to provide services to its citizens at the same level as past years. Growth in the City has been slow but the City hopes for new business and industry. Expanding our tax base past single-family homes and increasing water and sewer users is a prime objective.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information please contact Administration at the City of Rogers City, 193 East Michigan Avenue, Rogers City, MI 49779 or call 989-734-2191.

CITY OF ROGERS CITY
Presque Isle County, Michigan

GOVERNMENT WIDE STATEMENT OF NET ASSETS
June 30, 2006

	Primary Government			Component
	Governmental	Business -Type	Total	Units
	Activities	Units		
ASSETS:				
Cash	\$ 1,681,378.40	\$ 504,890.66	\$ 2,186,269.06	\$ 226,596.95
Receivables	103,853.33	102,701.33	206,554.66	4,935.49
Receivable from State	48,136.50	-	48,136.50	-
Internal balances	5,000.00	(5,000.00)	-	-
Due from component unit	30,000.00	-	30,000.00	-
Land held for sale	-	-	-	347,515.95
Prepaid expenses	-	-	-	3,690.64
Capital assets:				
Land	575,288.80	-	575,288.80	-
Land and improvements	792,844.91	5,628,936.90	6,421,781.81	42,958.01
Buildings and improvements	543,616.83	669,643.18	1,213,260.01	1,263,995.60
Machinery and equipment	1,676,750.03	198,691.28	1,875,441.31	172,394.04
Office equipment	122,612.16	-	122,612.16	-
Infrastructure	2,808,115.88	-	2,808,115.88	-
Water and sewer systems	-	4,053,528.63	4,053,528.63	-
Construction in progress	-	-	-	-
Accumulated depreciation	(3,163,644.24)	(3,998,783.97)	(7,162,428.21)	(851,163.52)
Total Assets	5,223,952.60	7,154,608.01	12,378,560.61	1,210,923.16
LIABILITIES:				
Accounts payable	54,699.65	49,673.68	104,373.33	8,655.29
Accrued expenses	57,817.13	24,130.92	81,948.05	2,018.38
Deferred revenue	6,776.81	2,747.31	-	-
Due to other governmental units	-	1,466.61	1,466.61	7,024.50
Due to primary government	-	-	-	30,000.00
Notes and bonds payable				
Amount due within one year	28,142.86	90,000.00	118,142.86	19,357.81
Amount due more than one year	171,857.14	605,000.00	776,857.14	157,984.62
Total Liabilities	319,293.59	773,018.52	1,082,787.99	225,040.60
NET ASSETS:				
Investment in capital assets net of related debt	3,155,584.37	5,857,016.02	9,012,600.39	628,184.13
Restricted for streets	623,853.28	-	623,853.28	-
Restricted - nonexpendable	139,365.52	-	139,365.52	-
Restricted for community loans	250,000.00	-	250,000.00	-
Unrestricted	735,855.84	524,573.47	1,260,429.31	357,698.43
Total Net Assets	\$ 4,904,659.01	\$ 6,381,589.49	\$ 11,286,248.50	\$ 985,882.56

The accompanying notes are an integral part of the financial statements.

CITY OF ROGERS CITY
Presque Isle County, Michigan

GOVERNMENT WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions
PRIMARY GOVERNMENT:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 532,683.65	\$ 27,573.89	\$ 12,530.89	\$ -
Public Safety	611,255.98	51,400.19	17,162.69	-
Public Works	232,434.27			-
Streets and highways	409,127.03	3,582.92	318,439.02	
Community and economic development	44,849.50	1,325.00	-	-
Recreation and Cultural	222,788.46		5,310.00	-
Interest on long-term debt	-	-	-	-
Total governmental activities	2,053,138.89	83,882.00	353,442.60	-
BUSINESS-TYPE ACTIVITIES				
Wastewater Treatment	413,184.67	394,397.48	-	-
Water	367,171.59	289,916.97		
Marina	427,156.68	394,833.22		
Ambulance Building	991.10	5,000.00		
Refuse	148,317.95	144,991.97	-	-
Total business-type activities	1,356,821.99	1,229,139.64	-	-
Total Primary Government	\$ 3,409,960.88	\$ 1,313,021.64	\$ 353,442.60	\$ -
COMPONENT UNITS:				
Downtown Development Authority	249,617.48	-	-	-
Housing Commission	21,565.08	117,938.75	44,361.00	12,556.00
Total Component Units	271,182.56	117,938.75	44,361.00	12,556.00
GENERAL PURPOSE REVENUES:				
Property taxes				
State shared revenues				
Rental income				
Special item - Loss on ambulance building sale				
Unrestricted Investment earnings				
Other miscellaneous revenues				
Transfer capital assets to business type				
Transfers				
Total General Purpose Revenues and Transfers				
Change in Net Assets				
Net Assets at beginning of year, as restated				
Net Assets - End of Year				

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets

PRIMARY GOVERNMENT

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
\$ (492,578.87)	\$ -	\$ (492,578.87)	\$ -
(542,693.10)	-	(542,693.10)	-
(232,434.27)	-	(232,434.27)	-
(87,105.09)	-	-	-
(43,524.50)	-	(43,524.50)	-
(217,478.46)	-	(217,478.46)	-
-	-	-	-
(1,615,814.29)	-	(1,615,814.29)	-
-	(18,787.19)	(18,787.19)	-
-	(77,254.62)	(77,254.62)	-
-	(32,323.46)	(32,323.46)	-
-	4,008.90	4,008.90	-
-	(3,325.98)	(3,325.98)	-
-	(127,682.35)	(127,682.35)	-
(1,615,814.29)	(127,682.35)	(1,743,496.64)	-
			(249,617.48)
			153,290.67
			(96,326.81)
1,097,871.65	-	1,097,871.65	76,553.75
380,284.98	1,703.98	381,988.96	-
975.00	25,569.10	26,544.10	6,240.00
-	(59,763.12)	(59,763.12)	-
77,319.37	16,671.05	93,990.42	4,013.76
3,263.99	-	3,263.99	-
(825,145.64)	825,145.64	-	-
100.00	49,900.00	50,000.00	(50,000.00)
734,669.35	859,226.65	1,593,896.00	36,807.51
(881,144.94)	731,544.30	(149,600.64)	(59,519.30)
5,785,803.95	5,650,045.19	11,435,849.14	1,045,401.86
<u>\$ 4,904,659.01</u>	<u>\$ 6,381,589.49</u>	<u>\$ 11,286,248.50</u>	<u>\$ 985,882.56</u>

CITY OF ROGERS CITY
Presque Isle County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2006

	GENERAL	MAJOR STREETS	LOCAL STREETS	NONMAJOR GOVERNMENTAL	TOTAL
ASSETS:					
Cash and certificates of deposit	\$ 601,431.12	\$ 476,295.39	\$ 110,072.45	\$ 445,752.97	\$ 1,633,551.93
Other receivables	33,289.26	3,919.08	5,172.51	51,518.16	93,899.01
Taxes receivable	7,678.74	-	-	92.09	7,770.83
Due from component unit	30,000.00	-	-	-	30,000.00
Prepaid expenses	-	-	-	-	-
Due from other Funds	37,792.79	-	-	-	37,792.79
Due from State	-	35,272.37	12,864.13	-	48,136.50
TOTAL ASSETS	\$ 710,191.91	\$ 515,486.84	\$ 128,109.09	\$ 497,363.22	\$ 1,851,151.06
LIABILITIES:					
Accounts payable	\$ 31,573.29	\$ 10,300.13	\$ 105.00	\$ -	\$ 41,978.42
Deferred revenue	-	1,764.15	5,012.66	-	6,776.81
Other payable	15,799.02	-	-	-	15,799.02
Accrued expenses	38,550.34	817.54	1,743.17	-	41,111.05
Due to other funds	6,960.00	-	-	2,792.79	9,752.79
TOTAL LIABILITIES	92,882.65	12,881.82	6,860.83	2,792.79	115,418.09
FUND BALANCES:					
Reserved	-	-	-	139,365.52	139,365.52
Unreserved - designated for ave of flags	15,302.64	-	-	-	15,302.64
- designated for capital improvements	62,819.88	-	-	-	62,819.88
Unreserved, reported in:					
General Fund	539,186.74	-	-	-	539,186.74
Special Revenue Funds	-	502,605.02	121,248.26	355,204.91	979,058.19
Capital Projects Funds	-	-	-	-	-
Total Fund Balances	617,309.26	502,605.02	121,248.26	494,570.43	1,735,732.97
TOTAL LIABILITIES AND FUND BALANCES	\$ 710,191.91	\$ 515,486.84	\$ 128,109.09	\$ 497,363.22	\$ 1,851,151.06

The accompanying notes are an integral part of the financial statements.

CITY OF ROGERS CITY
Presque Isle County, Michigan

GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS
June 30, 2006

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	1,735,732.97
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Amounts reported for governmental activities in the statement
of net assets are different because -

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the governmental funds
balance sheet:

Capital assets at cost		5,382,617.06
Accumulated depreciation		(2,255,448.04)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds		(200,000.00)
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An internal service fund is used by management to charge the cost of equipment use to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets		241,757.02
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TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	\$	<u>4,904,659.01</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF ROGERS CITY
Presque Isle County, Michigan

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year ended June 30, 2006

	GENERAL	MAJOR STREETS	LOCAL STREETS	NONMAJOR GOVERNMENTAL	TOTAL
REVENUES:					
Property taxes	\$ 1,086,037.09	\$ -	\$ -	\$ 11,834.56	\$ 1,097,871.65
Licenses and permits	1,715.00	-	-	-	1,715.00
Federal grants	-	-	-	-	-
State grants	413,529.58	238,739.91	79,699.11	1,758.98	733,727.58
Contributions from other units	46,125.58	-	-	-	46,125.58
Charges for Services	131,766.50	1,215.08	2,367.84	300.00	135,649.42
Fines and Forfeits	3,263.99	-	-	-	3,263.99
Interest and Rentals	42,645.54	15,920.38	2,862.54	16,865.91	78,294.37
Other Revenue	-	-	-	0.00	-
Total Revenues	1,725,083.28	255,875.37	84,929.49	30,759.45	2,096,647.59
EXPENDITURES:					
General Government	404,920.43	1,000.00	1,000.00	3,000.00	409,920.43
Public Safety	456,541.78	-	-	1,515.00	458,056.78
Public Works	178,779.79	114,445.52	146,878.07	-	440,103.38
Community and economic development	42,296.94	-	-	-	42,296.94
Cultural and Recreation	135,388.68	-	-	11,715.34	147,104.02
Other	450,214.69	-	-	-	450,214.69
Capital Outlay	9,954.87	-	-	-	9,954.87
Debt service - principal	-	-	-	-	-
Debt service - interest	-	-	-	-	-
Total Expenditures	1,678,097.18	115,445.52	147,878.07	16,230.34	1,957,651.11
EXCESS OF REVENUES OVER EXPENDITURES	46,986.10	140,429.85	(62,948.58)	14,529.11	138,996.48
OTHER FINANCING SOURCES (USES):					
Transfer from other funds	48,172.26	-	47,004.00	-	95,176.26
Transfer to other funds	(6,960.00)	(47,004.00)	-	(48,072.26)	(102,036.26)
Total Other Financing Sources (Uses)	41,212.26	(47,004.00)	47,004.00	(48,072.26)	(6,860.00)
NET CHANGE IN FUND BALANCES	88,198.36	93,425.85	(15,944.58)	(33,543.15)	132,136.48
FUND BALANCE - July 1, 2005	529,110.90	409,179.17	137,192.84	528,113.58	1,603,596.49
FUND BALANCE - June 30, 2006	\$ 617,309.26	\$ 502,605.02	\$ 121,248.26	\$ 494,570.43	\$ 1,735,732.97

The accompanying notes are an integral part of the financial statements.

CITY OF ROGERS CITY
Presque Isle County, Michigan

GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	132,136.48
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Amounts reported for governmental activities in the statement
of activities are different because -

Governmental funds report capital outlays as expenditures
while in the statement of activities, these costs are allocated
over their estimated lives as depreciation expense.

Capital outlay		9,954.87
Less depreciation expense		(202,212.01)
Less governmental assets transferred to water and WWT funds		(825,145.64)
Capital lease reclassified as operating		8,281.62

Repayment of debt principal is an expenditure in the governmental
funds, the repayment does not have an effect in the statement
of activities but does reduce the debt balance in the statement
of net assets.

Principal payments on long term debt		-
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An internal service fund is used by management to charge the net costs of equipment use to individual funds. The net cost of the internal service fund is reported in the governmental activities.		(4,160.26)
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CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES	\$	<u>(881,144.94)</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF ROGERS CITY
Presque Isle County, Michigan

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2006

	Business-type Activities			
	Major Enterprise Funds			
	Wastewater Treatment	Water Fund	Marina Fund	Refuse Fund
ASSETS:				
Current Assets:				
Cash	\$ 236,938.26	\$ 220,453.63	\$ 42,806.79	\$ 4,691.98
Accounts receivable	43,186.05	33,477.58	3,188.22	13,436.85
Prepaid expense	-	-	-	-
Inventory	-	9,412.63	-	-
Due from other funds	-	-	-	-
Total Current Assets	<u>280,124.31</u>	<u>263,343.84</u>	<u>45,995.01</u>	<u>18,128.83</u>
Noncurrent Assets:				
Capital Assets:				
Land and improvements	-	19,610.06	5,609,326.84	-
Buildings and Improvements	161,686.09	42,914.20	305,455.91	159,586.98
Equipment	24,114.69	80,202.02	94,374.57	-
Water and sewer systems	2,333,625.30	1,719,903.33	-	-
Accumulated depreciation	(1,779,324.21)	(967,807.05)	(1,191,009.65)	(60,643.06)
Construction in progress	-	-	-	-
Total Noncurrent Assets	<u>740,101.87</u>	<u>894,822.56</u>	<u>4,818,147.67</u>	<u>98,943.92</u>
Total Assets	1,020,226.18	1,158,166.40	4,864,142.68	117,072.75
LIABILITIES:				
Current Liabilities				
Accounts payable	9,472.78	23,080.13	14,020.77	-
Due to other governmental units	-	133.75	1,332.86	-
Due to other funds	1,960.00	1,140.00	-	5,000.00
Deferred revenue	419.73	386.58	1,941.00	-
Accrued expenses	6,327.84	13,149.37	4,653.71	-
Current portion - Revenue bonds payable	-	-	90,000.00	-
Total Current Liabilities	<u>18,180.35</u>	<u>37,889.83</u>	<u>111,948.34</u>	<u>5,000.00</u>
Noncurrent Liabilities				
Revenue bonds payable	-	-	605,000.00	-
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>605,000.00</u>	<u>-</u>
Total Liabilities	18,180.35	37,889.83	716,948.34	5,000.00
NET ASSETS:				
Invested in capital assets net of related debt	740,101.87	894,822.56	4,123,147.67	98,943.92
Unrestricted	<u>261,943.96</u>	<u>225,454.01</u>	<u>24,046.67</u>	<u>13,128.83</u>
Total Net Assets	<u>\$ 1,002,045.83</u>	<u>\$ 1,120,276.57</u>	<u>\$ 4,147,194.34</u>	<u>112,072.75</u>

Reconciliation of Government Wide Statement of Net Assets:

Net assets of business-type activities

The accompanying notes are an integral part of the financial statements.

<u>Building rental</u>		Governmental
<u>Fund</u>	<u>Total</u>	<u>Activities</u>
		<u>Internal</u>
		<u>Service</u>
\$ -	\$ 504,890.66	\$ 47,826.47
-	93,288.70	2,183.49
-	-	-
-	9,412.63	-
-	-	-
-	607,591.99	50,009.96
-	5,628,936.90	19,931.69
-	669,643.18	71,994.91
-	198,691.28	1,044,684.95
-	4,053,528.63	-
-	(3,998,783.97)	(908,196.20)
-	-	-
-	6,552,016.02	228,415.35
-	7,159,608.01	278,425.31
-	46,573.68	5,761.23
-	1,466.61	-
-	8,100.00	30,000.00
-	2,747.31	-
-	24,130.92	907.06
-	90,000.00	-
-	173,018.52	36,668.29
-	605,000.00	-
-	605,000.00	-
-	778,018.52	36,668.29
-	5,857,016.02	228,415.35
-	524,573.47	13,341.67
\$ -	\$ 6,381,589.49	\$ 241,757.02

\$ 6,381,589.49

CITY OF ROGERS CITY
Presque Isle County, Michigan

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended June 30, 2006

	Business-type Activities						Governmental
	Major Enterprise Funds						Activities
	Wastewater Treatment	Water Fund	Marina Fund	Refuse Fund	Building rental Fund	Total	Internal Service
OPERATING REVENUES:							
Charges for Services							
Water charges	\$ -	\$ 272,804.49	\$ -	\$ -	\$ -	\$ 272,604.49	\$ -
Sewer charges	391,198.56	-	-	-	-	391,198.56	-
Water hydrant rental	-	10,000.00	-	-	-	10,000.00	-
Marina sales of goods	-	-	204,588.49	-	-	-	-
Refuse charges	-	-	-	143,839.08	-	143,839.08	-
Rental income	-	23,049.10	190,244.73	2,520.00	5,000.00	220,813.83	221,147.85
Late payment fees	3,198.92	7,312.48	-	1,152.89	-	11,664.29	-
Miscellaneous	-	-	-	-	-	-	-
Total Operating Revenues	394,397.48	312,966.07	394,833.22	147,511.97	5,000.00	1,254,706.74	221,147.85
OPERATING EXPENSES:							
Salaries	150,689.69	97,575.90	69,517.71	-	-	317,783.30	50,748.06
Fringes and taxes	50,339.17	27,565.44	15,102.73	-	-	93,007.34	9,837.39
Chemicals	6,599.28	7,188.70	-	-	-	13,785.98	-
Supplies	7,000.98	8,136.13	1,650.57	-	-	16,987.68	28,813.37
Marina - Cost of goods sold	-	-	158,854.88	-	-	158,854.88	-
Contractual Services	35,969.93	54,741.50	7,443.00	136,161.22	-	234,315.65	10,700.00
Office supplies	3,925.64	4,074.40	6,286.66	4,563.87	-	18,850.37	-
Repairs and Maintenance	16,708.22	41,443.47	7,201.20	94.19	-	85,447.08	43,471.21
Utilities	68,572.95	20,610.43	20,204.08	-	-	109,387.46	14,494.30
Insurance	13,033.00	4,807.00	12,312.95	59.00	-	30,211.95	16,299.92
Equipment rental	13,007.78	12,808.15	-	-	-	25,815.93	-
Other	5,495.20	709.13	2,953.85	3,525.00	-	12,683.18	-
Depreciation	41,302.85	87,513.34	84,438.42	3,191.74	991.10	217,437.45	51,592.54
Total Operating Expenses	412,644.67	367,171.59	386,166.05	147,594.82	991.10	1,314,588.23	225,756.79
Operating Income	(18,247.19)	(54,205.52)	8,667.17	(82.65)	4,008.90	(59,859.49)	(4,608.94)
NONOPERATING REVENUES(EXPENSES)							
Property taxes	-	-	-	-	-	-	-
Interest Income	9,179.19	7,430.90	60.96	-	-	16,671.05	448.68
Federal grant	-	1,703.98	-	-	-	1,703.98	-
Loss on sale of capital asset	-	-	-	-	(59,783.12)	(59,763.12)	-
Interest Expense	(540.00)	-	(40,990.63)	-	(723.13)	(42,253.78)	-
Total Nonoperating Revenues(Expenses)	8,639.19	9,134.88	(40,929.67)	-	(80,488.25)	(83,641.85)	448.68
Income before contributions and transfers	(9,608.00)	(45,070.64)	(32,262.50)	(82.85)	(56,477.35)	(143,501.34)	(4,160.28)
Capital contributions	513,265.95	311,879.89	-	-	-	825,145.64	-
Transfers In	-	-	50,000.00	-	-	50,000.00	-
Transfers Out	-	-	-	-	(100.00)	(100.00)	-
Change in Net Assets	503,657.95	266,809.05	17,737.50	(82.85)	(58,577.35)	731,544.30	(4,160.26)
Net Assets Beginning of Year	498,387.88	853,467.52	4,129,456.84	112,155.60	58,577.35	5,650,045.19	245,917.28
Net Assets End of Year	\$ 1,002,045.83	1,120,276.57	4,147,194.34	112,072.75	-	6,381,589.49	241,757.02

The accompanying notes are an integral part of the financial statements.

CITY OF ROGERS CITY
Presque Isle County, Michigan

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2006

	Business-type Activities			
	Major Enterprise Funds			
	Wastewater Treatment	Water Fund	Marina Fund	Refuse Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 391,900.81	\$ 278,909.50	\$ 395,927.20	\$ 143,946.77
Other operating cash receipts	-	33,049.10	-	2,520.00
Cash payments to suppliers for goods and services	(219,199.07)	(159,417.83)	(227,753.23)	(142,217.44)
Cash payments to employees for services	(146,332.78)	(94,582.81)	(67,518.01)	-
Net cash provided (used) by operating activities	26,368.96	57,957.96	100,655.96	4,249.33
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	-	-	50,000.00	-
Other nonoperating income	-	1,703.98	-	-
Net cash provided (used) by noncapital financing activities	-	1,703.98	50,000.00	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(523,113.72)	(336,591.90)	(8,754.50)	-
Contributed capital	513,265.95	311,879.69	-	-
Net cash outlay	(9,847.77)	(24,712.21)	(8,754.50)	-
Proceeds from sale of capital assets	-	-	-	-
Debt Payments				
Interest paid on bonds	(540.00)	-	(40,990.63)	-
Principal payments on bonds	(15,000.00)	-	(90,000.00)	-
Net cash provided (used) by capital and related financing activities	(25,387.77)	(24,712.21)	(139,745.13)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	9,179.19	7,430.90	60.96	-
Net increase (decrease) in cash	10,160.38	42,380.63	10,971.79	4,249.33
Cash beginning of year	226,777.88	178,073.00	31,835.00	442.65
Cash end of year	\$ 236,938.26	\$ 220,453.63	\$ 42,806.79	\$ 4,691.98
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Income (loss) from operations	\$ (18,247.19)	\$ (54,205.52)	\$ 8,667.17	\$ (82.85)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:				
Depreciation	41,302.85	87,513.34	84,438.42	3,191.74
Amortization	-	-	-	-
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(2,161.05)	(574.45)	1,093.98	(1,045.20)
Increase (decrease) in accounts payable	3,483.78	14,067.89	2,653.65	2,185.64
Increase (decrease) in accrued expenses	1,990.57	11,176.70	3,802.74	-
Net Cash Provided (Used) in Operating Activities	\$ 26,368.96	\$ 57,977.96	\$ 100,655.96	\$ 4,249.33

The accompanying notes are an integral part of the financial statements.

<u>Building rental</u>		Governmental	
<u>Fund</u>	<u>Total</u>	<u>Activites</u>	<u>Internal</u>
		<u>Service</u>	
5,000.00	\$ 1,215,684.28	\$ 221,140.10	
	35,569.10	-	
	(748,587.57)	(143,669.90)	
-	(308,433.60)	(50,748.06)	
<u>5,000.00</u>	<u>194,232.21</u>	<u>26,722.14</u>	
(100.00)	49,900.00	-	
-	<u>1,703.98</u>	-	
(100.00)	51,603.98	-	
-	(868,460.12)	(6,200.00)	
-	825,145.64	-	
-	(43,314.48)	(6,200.00)	
100.00	100.00	-	
(723.12)	(42,253.75)	-	
(30,459.00)	(135,459.00)	-	
(31,082.12)	(220,927.23)	(6,200.00)	
-	16,671.05	448.68	
(26,182.12)	41,580.01	20,970.82	
26,182.12	463,310.65	26,855.65	
<u>-</u>	<u>\$ 504,890.66</u>	<u>\$ 47,826.47</u>	
4,008.90	\$ (59,859.49)	\$ (4,608.94)	
3,191.74	219,638.09	51,592.54	
-	-	-	
-	(2,686.72)	(7.75)	
(2,200.64)	20,190.32	4,746.29	
-	16,970.01	(25,000.00)	
<u>5,000.00</u>	<u>\$ 194,252.21</u>	<u>\$ 26,722.14</u>	

CITY OF ROGERS CITY
Presque Isle County, Michigan

FIDUCIARY FUNDS - AGENCY FUNDS
 STATEMENT OF NET ASSETS
June 30, 2006

	Employee Benefit Fund Type <u>Separation Pay Fund</u>	Agency Fund Type <u>Tax Collection Fund</u>
Assets:		
Cash and Certificates of Deposit	\$ 137,814.26	\$ -
Due from WWTP Fund	1,960.00	-
Due from General Fund	6,960.00	-
Due from Water Fund	1,140.00	-
	<u>147,874.26</u>	<u>-</u>
Total Assets		
	<u>147,874.26</u>	<u>-</u>
Liabilities:		
Due to other funds	-	\$ -
	<u>-</u>	<u>-</u>
Total Liabilities		
	-	<u>-</u>
Net Assets		
Held in Trust for Separation Pay	\$ <u>147,874.26</u>	

The accompanying notes are an integral part of the financial statements.

CITY OF ROGERS CITY
Presque Isle County, Michigan

FIDUCIARY FUND - SEPARATION PAY FUND
STATEMENT OF CHANGES IN NET ASSETS
June 30, 2006

	Employee Benefit Fund Type <u>Separation Pay Fund</u>
ADDITIONS	
Employer Contributions	
General fund	\$ 1,960.00
WWTP fund	6,960.00
Water fund	<u>1,140.00</u>
	10,060.00
Investment Income	
Interest	<u>4,370.09</u>
Total Additions	14,430.09
DEDUCTIONS	
Employee Benefits	<u>30,974.61</u>
Change in Net Assets	<u>(16,544.52)</u>
Net Assets Beginning of Year	164,418.78
Net Assets End of Year	\$ <u><u>147,874.26</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF ROGERS CITY
Presque Isle County, Michigan

COMPONENT UNITS
STATEMENT OF NET ASSETS
June 30, 2006

	DOWNTOWN DEVELOPMENT AUTHORITY	HOUSING COMMISSION	Total
<u>ASSETS:</u>			
Current Assets			
Cash	\$ 87,749.68	\$ 138,847.27	\$ 226,596.95
Accounts receivable	146.49	4,789.00	4,935.49
Prepaid expense	-	3,690.64	3,690.64
Land held for sale	347,515.95	-	347,515.95
Due from other funds	-	-	-
Total Current Assets	<u>435,412.12</u>	<u>147,326.91</u>	<u>582,739.03</u>
Noncurrent Assets			
Capital Assets:			
Land and improvements	-	42,958.01	42,958.01
Buildings and Improvements	-	1,263,995.60	1,263,995.60
Equipment	-	172,394.04	172,394.04
Accumulated depreciation	-	(851,163.52)	(851,163.52)
Total Noncurrent Assets	<u>-</u>	<u>628,184.13</u>	<u>628,184.13</u>
Total Assets	435,412.12	775,511.04	1,210,923.16
<u>LIABILITIES:</u>			
Current Liabilities			
Accounts payable	-	8,655.29	8,655.29
Due to other governmental units	-	7,024.50	7,024.50
Due to primary government	30,000.00	-	30,000.00
Accrued expenses	-	2,018.38	2,018.38
Current portion - Bonds payable	19,357.81	-	19,357.81
Total Current Liabilities	<u>49,357.81</u>	<u>17,698.17</u>	<u>67,055.98</u>
Noncurrent Liabilities			
Bonds payable	157,984.62	-	157,984.62
Total Noncurrent Liabilities	<u>157,984.62</u>	<u>-</u>	<u>157,984.62</u>
Total Liabilities	207,342.43	17,698.17	225,040.60
<u>NET ASSETS:</u>			
Invested in capital assets net of related debt	-	628,184.13	628,184.13
Unrestricted	228,069.69	129,628.74	357,698.43
Total Net Assets	228,069.69	757,812.87	985,882.56

The accompanying notes are an integral part of the financial statements.

CITY OF ROGERS CITY
Presque Isle County, Michigan

COMPONENT UNITS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants/ Contributions</u>
DOWNTOWN DEVELOPMENT AUTHORITY			
General Government	\$ -	\$ -	\$ -
Public Works	1,138.89	-	-
Community and economic development	6,641.29	-	-
Interest on long-term debt	13,784.90	-	-
Total Downtown Development Authority	21,565.08	-	-
HOUSING COMMISSION			
Community and economic development	249,617.48	117,938.75	44,361.00
Total Housing Commission	249,617.48	117,938.75	44,361.00
Total Component Units	\$ 271,182.56	\$ 117,938.75	\$ 44,361.00

GENERAL PURPOSE REVENUES:

Property taxes

Unrestricted Investment earnings

Rent

Transfers

Total General Purpose Revenues and Transfers

Change in Net Assets

Net Assets at beginning of year, as restated

Net Assets - End of Year

The accompanying notes are an integral part of the financial statements.

Capital Grants/ Contributions	Net (Expense) Revenue and Changes in Net Assets		
	Downtown Development Authority	Housing Commisssion	Total
\$ -	\$ -	\$ -	\$ -
-	(1,138.89)	-	(1,138.89)
-	(6,641.29)	-	(6,641.29)
-	(13,784.90)	-	(13,784.90)
-	(21,565.08)	-	(21,565.08)
12,556.00	-	(74,761.73)	(74,761.73)
12,556.00	-	(74,761.73)	(74,761.73)
\$ 12,556.00			
	76,553.75	-	76,553.75
	929.64	3,084.12	4,013.76
	6,240.00	-	6,240.00
	(50,000.00)	-	(50,000.00)
	33,723.39	3,084.12	36,807.51
	12,158.31	(71,677.61)	(59,519.30)
	215,911.38	829,490.48	1,045,401.86
\$	\$ 228,069.69	\$ 757,812.87	\$ 985,882.56

CITY OF ROGERS CITY
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A: DESCRIPTION OF REPORTING ENTITY:

The City of Rogers City, which is located in Presque Isle County, was incorporated January 10, 1945 under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government, and provides highways and streets, sanitation, health and social services, recreation-parks, education, public improvements, planning and zoning, and general administrative services to approximately 3,650 residents. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

B: REPORTING ENTITY:

Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City hold the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit//burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Rogers City has two component units, the Downtown Development Authority and the Housing Commission. The Downtown Development Authority is appointed to preside over this specific district, and it is authorized to formulate plans for public improvements, economic development, neighborhood revitalization, and historic preservation within this area. The Housing Commission provides public housing for eligible citizens.

The members of both governing boards are appointed by the City Council. The budgets and expenditures must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority and Housing Commission.

CITY OF ROGERS CITY
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Discretely Presented Component Units

The following component units are reported within the component units' column in the financial statements. They are reported in a separate column to emphasize that they are legally separate from the City of Rogers City.

1. Downtown Development Authority
2. Housing Commission

As explained in more detail in the Note 10 the above component units were blended into the City's financial statements in the prior year and not shown as discretely presented for the year ended June 30, 2005.

C: BASIS OF PRESENTATION:

Governmental – Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. The effect of the interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identified with a specific program. Program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental funds, proprietary funds and fiduciary funds. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

CITY OF ROGERS CITY
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Major Government Funds

General Fund –

General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Major Street Fund -

Major Street Fund is a legally mandated fund to account for specific proceeds of revenue from the Michigan Department of Transportation and to account for the legally restricted expenditures of those funds related to the maintenance and construction of major roads and highways within the City.

Local Street Fund -

Local Street Fund is a legally mandated fund to account for specific proceeds of revenue from the Michigan Department of Transportation and to account for the legally restricted expenditures of those funds related to the maintenance and construction of local roads within the City.

Major Proprietary Funds

Enterprise Funds:

Enterprise Funds are used to account for operations:

- a. that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or
- b. where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

CITY OF ROGERS CITY
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

These are comprised in turn of the:

Wastewater Treatment Fund -

Wastewater Treatment Fund accounts for the activities of the sewer collection system, financed primarily by a user charge for the provision of those services.

Water Fund -

Water Fund is used to account for the provision of water to the residents of the City. Activities of the fund include administration, operation and maintenance of the water system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt. Costs are financed through charges to customers.

Marina Fund -

Marina Fund accounts for the activities of the marina system, financed primarily by a user charge for the provision of those services.

Refuse Fund -

Refuse Fund accounts for the activities of garbage collection, financed primarily by a user charge for the provision of those services.

Building Rental Fund -

Building Rental Fund accounted for the activities for renting a building to the Ambulance Authority and was closed out at the end of the year. The building was sold to the Ambulance Authority during the year.

Additionally the city reports the following fund types:

Internal Service Fund -

Internal Service Fund is used to account for major machinery and equipment purchases and maintenance provided to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds -

Fiduciary, or Trust and Agency, Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Expendable Trust, Nonexpendable Trust, Pension Trust, and Agency Funds. Nonexpendable Trust and Pension Trust Funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. Expendable Trust Funds are accounted for in

CITY OF ROGERS CITY
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

essentially the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Separation Pay Fund -

Separation Pay Fund accounts for accumulated separation benefits provided to employees.

Tax Collection Fund -

Tax Collection Fund is an agency fund to account for collection of property taxes of other local units.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water, sewer and marina functions and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Propriety funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a propriety fund's principal ongoing operations. Operating expenses for the propriety funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

D: MEASUREMENT FOCUS/BASIS OF ACCOUNTING:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

CITY OF ROGERS CITY
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

The government-wide statements and fund financial statements for propriety funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, charges for service, interest income and state shared governmental revenues. All other governmental fund revenues are recognized when received.

E: CAPITAL ASSETS:

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the entity-wide financial statements. The City defines capital assets as assets with an individual cost of more than \$1,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, land improvements and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	50 – 10 years
Vehicles	5 – 25 years
Furniture and other equipment	5 – 25 years
Distribution system	50 years

CITY OF ROGERS CITY
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

F: FUND EQUITY:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

G: PROPERTY TAXES:

Property taxes are levied each July 1 on taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year at which time penalties and interest are assessed. The 2006 taxable valuation of City properties totaled \$62,418,808. The advalorem taxes levied and the resulting revenue by fund and component unit was as follows:

	<u>Millage Rate</u>	<u>Revenue Net of DDA Capture</u>
Primary Government		
Operating Millage	18.1208	\$ 1,071,450.68
Band	.2000	11,834.56
Total Primary Government		<u>\$ 1,083,285.24</u>
Component Unit		
Downtown Development Authority	N/A	<u>\$ 76,553.75</u>

H: COMPENSATED ABSENCES:

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay.

The Separation Pay Fund was established to provide cash severance payments to any employee upon termination of his/her employment, of one half of his/her accumulated sick leave.

Vacation pay is not allowed to be carried over and no liability existed related to it at June 30, 2006.

CITY OF ROGERS CITY
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A: BUDGETARY INFORMATION:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- The City Manager submits to the City Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to June 1, the budget is legally enacted by adoption of the City Council.
- The City Manager is authorized to transfer certain budgeted amounts between departments within any fund. Any revisions that alter the total expenditure of any fund must be approved by the City Council. The legal level of the control is at the activity level.
- Formal budgetary integration is employed as a management control device during the year for all funds.
- Budgets for the General and Special Revenue Funds are prepared on a modified accrual basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Council is included in the required supplemental information.
- All annual appropriations lapse at fiscal year end.

B: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS:

During the year, the City incurred expenditures that were in excess of the amounts budgeted.

GENERAL FUND:

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Accounting & Auditing	\$ 86,291.00	\$ 88,456.25	\$ 2,165.25
Street Lighting	<u>39,400.00</u>	<u>39,420.97</u>	<u>20.97</u>
Total	<u>\$ 125,691.00</u>	<u>\$ 127,877.22</u>	<u>\$ 2186.22</u>

Fund Deficits - The City had no accumulated fund balance deficits.

CITY OF ROGERS CITY
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3. LONG-TERM DEBT:

Long-term obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Additional Borrowing</u>	<u>Beginning Balances</u>	<u>Principal Payments (Deductions)</u>	<u>Ending Balance</u>	<u>Current Portion</u>
GOVERNMENTAL – TYPE ACTIVITIES						
Community Development Grant/Loan	0.00	-	<u>\$ 200,000</u>	<u>-</u>	<u>\$ 200,000</u>	<u>\$ 28,143</u>
BUSINESS – TYPE ACTIVITIES						
Marina Fund Bonds						
1994 General Obligation	5.375 - 5.75	-	\$ 190,000	\$ (35,000)	\$ 155,000	\$ 35,000
1995 General Obligation	5.2 - 5.7	-	180,000	(30,000)	150,000	30,000
2000 General Obligation	5.05 - 5.45	-	415,000	(25,000)	390,000	25,000
Total Business-Type Activity			<u>\$ 785,000</u>	<u>\$ (90,000)</u>	<u>\$ 695,000</u>	<u>\$ 90,000</u>
COMPONENT UNIT						
Downtown Development Authority						
Community Development Loan Huron National Bank	7.51	-	<u>\$ 192,236</u>	<u>\$ (14,894)</u>	<u>\$ 177,342</u>	<u>\$ 19,358</u>

Annual debt service requirements are detailed in the other additional information schedules.

CITY OF ROGERS CITY
Presque Isle, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 4. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance July 1	Additions/ Completions	Retirements/ Adjustments	Balance June 30
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 575,289	\$ -	\$ -	\$ 575,289
Construction in progress	1,217,825	-	* (1,217,825)	-
Capital assets being depreciated				
Buildings and improvements	1,336,462	-	-	1,336,462
Furniture and equipment	1,797,688	9,955	(8,281)	1,799,362
Infrastructure	<u>2,415,536</u>	<u>* 392,679</u>	<u>-</u>	<u>2,808,115</u>
Subtotal	5,549,586	402,634	(8,281)	5,943,939
Less accumulated depreciation	<u>2,961,432</u>	<u>202,212</u>	<u>-</u>	<u>3,163,644</u>
Net capital assets being depreciated	<u>2,588,154</u>	<u>200,422</u>	<u>(8,281)</u>	<u>2,780,295</u>
Total net capital assets	<u>\$ 4,381,268</u>	<u>\$ 200,422</u>	<u>\$ (1,226,106)</u>	<u>\$ 3,355,584</u>
Business – Type Activities				
Capital assets not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Capital assets being depreciated				
Buildings and improvements	6,298,580	-	-	6,298,580
Water and sewer distribution systems	3,193,823	34,560	* 825,146	4,053,529
Furniture and equipment	<u>198,691</u>	<u>-</u>	<u>-</u>	<u>198,691</u>
Subtotal	9,691,094	34,560	825,146	10,550,800
Less accumulated depreciation	<u>3,781,347</u>	<u>217,437</u>	<u>-</u>	<u>3,998,784</u>
Net capital assets being depreciated	<u>5,909,747</u>	<u>(182,877)</u>	<u>825,146</u>	<u>6,552,016</u>
Total net capital assets	<u>\$ 5,909,747</u>	<u>\$ (182,877)</u>	<u>\$ 825,146</u>	<u>\$ 6,552,016</u>

* Transferred Assets

CITY OF ROGERS CITY
Presque Isle, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 4. CAPITAL ASSETS (continued):

Capital assets activity for the City's component unit for the year was as follows:

	Balance <u>July 1</u>	Additions/ <u>Completions</u>	Retirements/ <u>Adjustments</u>	Balance <u>June 30</u>
Component Unit				
Capital assets not being depreciated				
Land	\$ 42,958	\$ -	\$ -	\$ 42,958
Construction in progress	-	-	-	-
Capital assets being depreciated				
Buildings and improvements	1,244,552	19,444	-	1,263,996
Equipment	172,394	-	-	172,394
Less accumulated depreciation	<u>(802,466)</u>	<u>(48,698)</u>	<u>-</u>	<u>(851,164)</u>
Net capital assets being depreciated	<u>614,480</u>	<u>(29,254)</u>	<u>-</u>	<u>558,226</u>
Total net capital assets	<u>\$ 657,438</u>	<u>\$ (29,254)</u>	<u>\$ -</u>	<u>\$ 628,184</u>

Depreciation expense was charged to programs of the primary government and component unit as follows:

Governmental Activities:

General government	\$ 15,871
Public safety	30,209
Public works	1,061
Recreation and culture	42,811
Streets and highways	109,707
Community Development	<u>2,553</u>

Total depreciation expense \$ 202,212

Business-Type Activities:

Wastewater Treatment	\$ 41,303
Water	87,513
Marina	84,438
Refuse	3,192
Building Rental	<u>991</u>

Total depreciation expense \$ 217,437

Component Unit:

Housing Commission	<u>\$ 48,698</u>
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CITY OF ROGERS CITY
Presque Isle, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 5. INTERFUND BALANCES AND TRANSFERS:

The composition of interfund receivable and payable balances at June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Internal Services	\$ 30,000
General Fund	Downtown Development Authority	30,000
General Fund	Perpetual Care	2,793
General Fund	Refuse Fund	5,000
Separation Pay Fund	Waste Water Treatment Plant	1,960
Separation Pay Fund	General Fund	6,960
Separation Pay Fund	Water Fund	1,140
Total		<u>\$ 77,853</u>

NOTE 6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

Michigan Compiled Laws, §129.91, authorizes local governmental units to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States; repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City has designated five financial agencies for the deposit of local unit funds. The investment policy adopted by the City in accordance with *Public act 196 of 1997* has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The City's deposits and investment policy are in accordance with statutory authority.

At year-end, deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and cash equivalents	\$ 1,681,378	\$ 504,891	\$ 137,814	\$ 2,324,083	\$ 137,814
Investments	-	-	-	-	-
Total	<u>\$ 1,681,378</u>	<u>\$ 504,891</u>	<u>\$ 137,814</u>	<u>\$ 2,324,083</u>	<u>\$ 137,814</u>

CITY OF ROGERS CITY
Presque Isle, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (continued):

The breakdown of governmental activities as shown in the fund-based financial statements is as follows:

	<u>Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 1,633,552</u>	<u>\$ 47,826</u>	<u>\$ 1,681,378</u>

The breakdown of deposits for the City is as follows:

	<u>Primary Government</u>			<u>Component Units</u>		
	<u>Insured</u>	<u>Uninsured</u>	<u>Total</u>	<u>Insured</u>	<u>Uninsured</u>	<u>Total</u>
Bank Deposits (checking and savings accounts and certificates of deposits)	\$ 300,000	\$ 2,024,083	\$ 2,324,083	\$ 187,750	\$ 38,847	\$ 226,597
Investments	-	-	-	-	-	-
Total	<u>\$ 300,000</u>	<u>\$ 2,024,083</u>	<u>\$ 2,324,083</u>	<u>\$ 187,750</u>	<u>\$ 38,847</u>	<u>\$ 226,597</u>

NOTE 7. RISK MANAGEMENT:

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The City has purchased commercial insurance for medical benefits, participates in the Michigan Municipal League risk pool program for workers' compensation, liability and property risk. This insurance provider is a public entity risk pool providing coverage to its members. The City pays an annual premium to this provider, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based on property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 8. DEFINED BENEFIT PENSION PLAN:

Plan Description

The City participates in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publically available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, Michigan, 48917. MERS was organized pursuant to *Public Act 156 of 1951, §12a* (MSA 5.333(a); MCLA 46.12a), as amended,

CITY OF ROGERS CITY
Presque Isle, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 8. DEFINED BENEFIT PENSION PLAN (continued):

State of Michigan. MERS is regulated under *Public Act 427 of 1995*, the sections of which have been approved by the State Pension Commission.

The City is in an agent/multi-employer defined contribution plan with the Municipal Employees Retirement System (MERS administered by the State of Michigan. The most recent period for which actuarial data was available was for the calendar year ended December 31, 2005. The City's covered payroll for employees covered by MERS for the year ended December 31, 2005 was \$945,012 per the actuarial report. Data on covered versus total payroll was available in the latest actuarial evaluation.

As of December 31, 2005, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>22</u>
Active plan participants:	
Vested members	26
Vested former members	<u>5</u>
Total	<u>31</u>

Funding Policy

The City is required to contribute at an actuarially determined rate. The rate varies by divisions of employees from 7.39% to 23.26% of annual covered payroll. Employee contributions vary by covered divisions, 4% for general employees, 5.1% for police and fire, and 3.0% for administrative staff of annual covered payroll.

The obligation to contribute to and maintain the system was established by negotiation with collective bargaining units and city policy for non-union employees.

The contribution requirements of plan members are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

Annual Pension Cost

For the year ended June 30, 2006, the City's annual pension cost of \$143,870 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using an entry age normal funding method. Significant actuarial assumptions used include: (a) a rate of return on the investment of present and future assets of 8 percent per year compounded annually, (b) projected salary increases of 4.5 percent per year compounded annually, (c) additional projected salary increases ranging from 0 percent to 4.5 percent per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase annually 2.5 percent per year, noncompounded

CITY OF ROGERS CITY
Presque Isle, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 8. DEFINED BENEFIT PENSION PLAN (continued):

after retirement. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a ten-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

UNFUNDED ACTUARIAL ACCRUED LIABILITY

Actuarial Accrued Liability

Retirees and beneficiaries currently receiving benefits	\$ 4,445,374
Terminated employees (vested former members not yet receiving benefits)	162,866
Non-vested terminated employees (pending refunds of accumulated member contributions)	3,289
Current employees -	
Accumulated employee contributions including allocated investment income	504,514
Employer financed	<u>2,496,912</u>
Total Actuarial Accrued Liability	\$ 7,612,955
Net Assets Available for Benefits at Actuarial Value	<u>5,706,312</u>
(Market Value is \$5,555,946)	
Unfunded (Overfunded) Actuarial Accrued Liability	<u>\$ 1,906,643</u>

TREND INFORMATION

	Fiscal Year Ended June 30			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Annual pension cost (APC)	\$ 85,387	\$ 89,381	\$ 100,450	\$129,809
Percentage of APC contributed	100%	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -	\$ -

CITY OF ROGERS CITY
Presque Isle, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 8. DEFINED BENEFIT PENSION PLAN (continued):

REQUIRED SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
12/31/96	\$ 3,171,110	\$ 3,293,865	\$ 122,755	96%	\$ 737,090	17%
12/31/97	3,458,213	3,626,750	168,537	95	766,425	22
12/31/98	3,817,881	4,122,428	304,547	93	776,286	39
12/31/99	4,341,395	4,450,087	108,692	98	815,053	13
12/31/00	4,722,511	5,106,674	384,163	92	858,675	45
12/31/01	5,008,506	5,536,091	527,585	90	897,675	59
12/31/02	5,099,679	5,893,413	793,734	87	942,520	84
12/31/03	5,347,037	6,453,195	1,106,158	83	952,200	86
12/31/04	5,534,066	7,104,960	1,570,894	78	978,746	62
12/31/05	5,706,312	7,612,955	1,906,643	75	945,012	50

ANNUAL REQUIRED CONTRIBUTIONS

Fiscal Year Beginning	July 1, 2007
Annual Required Contribution (ARC)	\$ 176,796
Amortization Factor Used – Underfunded Liabilities (30 years)	0.053632

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS:

The City provides health care benefits to full time employees upon retirement. The cost of the benefits are covered by purchased commercial insurance. The expenditures for past employment health care benefits are recognized as insurance premiums are paid.

NOTE 10. CHANGE IN REPORTING ENTITY:

As disclosed in Note 1 the City discretely presents two component units, the Downtown Development Authority and the Housing Commission. The discrete presentation of these two component units is shown on the government-wide financial statements in a separate column labeled "Component Units".

In prior years the two component units were "blended" into the City's statements and included as part of the primary government. The Housing Commission was previously included in the nonmajor proprietary funds and presented as part of the business-type activities. The Downtown Development Authority was previously presented as a special revenue Major Fund in the governmental funds and included in the governmental activities of the government-wide financial statements.

CITY OF ROGERS CITY
Presque Isle, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 10. CHANGE IN REPORTING ENTITY (continued):

Management now believes a discrete presentation of these two component units is appropriate.

NOTE 11. LONG-TERM DEBT NOT PREVIOUSLY PRESENTED:

In 2002, the City received a Community Block Grant from the Michigan Economic Development Corporation for infrastructure improvements to the Industrial Park. A funding and repayment condition of the original grant was that the proceeds would create ten qualifying net new jobs. As of October 19, 2006 the City has not met the job creation criteria outlined in the grant and, accordingly, must repay \$200,000 of the original amount of the grant with the first payment due August 1, 2007. The original proceeds received were reported as grant revenue and no liability for repayment of the original amount was reported.

Management now believes the creation of qualifying new jobs is unlikely and the related outstanding debt should now be included in the governmental activities of the Government-wide Statement of Net Assets.

NOTE 12. CHANGE IN BEGINNING NET ASSETS:

As detailed in Notes 10 and 11 two changes were implemented which affected the beginning net assets

The following discloses the restatement of net assets:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Total Beginning Net Assets as previously stated	\$ 6,195,507	\$ 6,485,744	\$ 12,681,251	\$ -
Component Units discretely presented (Note 10)	(209,703)	(835,699)	(1,045,402)	1,045,402
Long-Term Debt not previously included (Note 11)	<u>(200,000)</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>
Net Assets at Beginning of Year as restated	<u>\$ 5,785,804</u>	<u>\$ 5,650,045</u>	<u>\$ 11,435,849</u>	<u>\$1,045,402</u>

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF ROGERS CITY
Presque Isle County, Michigan

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
Year Ended June 30, 2006

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 1,108,622.00	\$ 1,108,622.00	\$ 1,086,037.09	\$ (22,584.91)
Licenses and permits	2,200.00	1,300.00	1,715.00	415.00
State and local grants	389,832.00	408,652.00	413,529.58	4,877.58
Contributions from other units	52,524.00	52,524.00	46,125.58	(6,398.42)
Fines and fees	6,000.00	4,500.00	3,263.99	(1,236.01)
Charges for services	112,400.00	156,541.00	131,766.50	(24,774.50)
Interest	11,809.00	38,202.00	41,670.54	3,468.54
Rental	975.00	975.00	975.00	-
Other Revenue	153,880.00	-	-	-
Total Revenues	1,838,242.00	1,771,316.00	1,725,083.28	(46,232.72)
EXPENDITURES:				
General Government				
Legislative - Council	34,879.00	31,339.00	28,694.17	2,644.83
Administration	73,965.00	72,659.00	71,812.83	846.17
Elections	8,003.00	6,577.00	5,069.94	1,507.06
Assessor	21,225.00	22,225.00	19,299.81	2,925.19
Attorney	24,000.00	23,000.00	16,015.99	6,984.01
Board of Review	2,588.00	2,198.00	2,128.80	69.20
Clerk/Treasurer	94,900.00	94,443.00	90,864.05	3,578.95
Accounting & Auditing	86,573.00	86,291.00	88,456.25	(2,165.25)
City Hall	30,430.00	30,885.00	28,845.45	2,039.55
Cemetery	69,218.00	48,239.00	43,297.06	4,941.94
Promotional	31,098.00	14,598.00	10,436.08	4,161.92
Public Safety				
Fire	68,910.00	65,410.00	52,348.57	13,061.43
Police	352,789.00	350,964.00	347,523.39	3,440.61
School Resource Officer	56,700.00	56,700.00	56,669.82	30.18
Public Works				
Landfill	7,147.00	7,147.00	4,870.70	2,276.30
Street lighting	38,000.00	39,400.00	39,420.97	(20.97)
Department of Public works	132,302.00	142,552.00	134,488.12	8,063.88
Parks & Recreation				
Parks and Recreation	137,011.00	136,311.00	135,388.68	1,822.88
Community and Economic Development				
Planning and Zoning	25,168.00	26,936.00	24,671.75	2,264.25
Engineering	40,162.00	24,627.00	17,625.19	7,001.81
Capital Outlay	10,000.00	10,000.00	9,954.87	45.13
Other Functions - Insurance	26,700.00	20,398.00	19,898.00	500.00
Other Functions - Fringe Benefits	466,538.00	334,781.00	286,447.14	48,333.86
Other Functions -Retirement	101,531.00	176,565.00	143,869.55	32,695.45
Total Expenditures	1,939,837.00	1,824,245.00	1,678,097.18	147,048.38
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	50,000.00	50,000.00	48,172.26	1,827.74
Transfer to other funds	(10,000.00)	(10,000.00)	(6,960.00)	(3,040.00)
Net Other Financing Sources (Uses)	40,000.00	40,000.00	41,212.26	-
NET CHANGE IN FUND BALANCE	(61,595.00)	(12,929.00)	88,198.36	101,127.36
FUND BALANCE - BEGINNING OF YEAR	529,110.90	529,110.90	529,110.90	-
FUND BALANCE - END OF YEAR	\$ 467,515.90	\$ 516,181.90	\$ 617,309.26	101,127.36

CITY OF ROGERS CITY
Presque Isle County, Michigan

MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
Year Ended June 30, 2006

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES:				
State Grants	\$ 223,754.00	\$ 217,531.00	\$ 232,517.17	\$ 14,986.17
Contribution from Special Assessments	700.00	700.00	1,215.08	515.08
Interest	6,300.00	15,510.00	15,920.38	410.38
Reimbursements/Build Michigan	-	6,223.00	6,222.74	(0.26)
Other	-	-	0.00	0.00
Total Revenues	230,754.00	239,964.00	255,875.37	15,911.37
EXPENDITURES:				
Public Works				
Administration	19,000.00	19,000.00	19,801.00	(801.00)
Construction	236,292.00	6,292.00	0.00	6,292.00
Routine Maint.	34,021.00	34,031.00	32,255.89	1,775.11
Traffic signs and signals	-	-	92.18	(92.18)
Trunkline Maint.	22,005.00	22,005.00	33,940.84	(11,935.84)
Winter Maint.	64,943.00	55,467.00	28,835.61	26,631.39
Other Functions - Insurance	700.00	520.00	520.00	0.00
Total Expenditures	376,961.00	137,315.00	115,445.52	21,869.48
EXCESS REVENUES OVER EXPENDITURES	(146,207.00)	102,649.00	140,429.85	37,780.85
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	0.00	0.00	0.00	0.00
Transfer to local street	(47,949.00)	(47,949.00)	(47,004.00)	945.00
Total Other Financing Sources	(47,949.00)	(47,949.00)	(47,004.00)	945.00
Excess (deficiency) of revenues over expenditures and other uses	(194,156.00)	54,700.00	93,425.85	38,725.85
FUND BALANCE - BEGINNING OF YEAR	409,179.17	409,179.17	409,179.17	0.00
FUND BALANCE - END OF YEAR	\$ 215,023.17	\$ 463,879.17	\$ 502,605.02	\$ 38,725.85

CITY OF ROGERS CITY
Presque Isle County, Michigan

LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
Year Ended June 30, 2006

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES:				
State Grants	\$ 94,219.00	\$ 91,724.00	\$ 77,204.30	\$ (14,519.70)
Interest	3,150.00	2,705.00	2,862.54	157.54
Contribution from Special Assessments	2,015.00	2,015.00	2,367.84	352.84
Reimbursements/Build Michigan	-	2,495.00	2,494.81	(0.19)
Other	-	-	-	-
Total Revenues	99,384.00	98,939.00	84,929.49	(14,009.51)
EXPENDITURES:				
Public Works				
Administration	8,921.00	8,921.00	7,557.00	1,364.00
Construction	105,535.00	76,607.00	-	76,607.00
Routine Maint.	72,591.00	72,591.00	59,076.19	13,514.81
Traffic Signs and Signals	2,167.00	2,167.00	-	2,167.00
Winter Maint.	76,201.00	80,727.00	80,724.88	2.12
Other Functions - Insurance	700.00	520.00	520.00	-
Total Expenditures	266,115.00	241,533.00	147,878.07	93,654.93
EXCESS REVENUES OVER EXPENDITURES	(166,731.00)	(142,594.00)	(62,948.58)	79,645.42
OTHER FINANCING SOURCES (USES)				
Transfer from Major street	47,949.00	47,949.00	47,004.00	(945.00)
Transfer from general fund	89,116.00	-	-	-
Total transfers	137,065.00	47,949.00	47,004.00	(945.00)
Excess (deficiency) of revenues over expenditures and other uses	(118,782.00)	(94,645.00)	(15,944.58)	78,700.42
FUND BALANCE - BEGINNING OF YEAR	137,192.84	137,192.84	137,192.84	-
FUND BALANCE - END OF YEAR	\$ 18,410.84	\$ 42,547.84	\$ 121,248.26	\$ 78,700.42

OTHER ADDITIONAL INFORMATION

CITY OF ROGERS CITY
Presque Isle County, Michigan

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year ended June 30, 2006

REVENUES:

Taxes -	
Property taxes	\$ 1,071,450.88
Payment in lieu of taxes	7,024.50
Trailer park taxes	354.00
Penalties and interest	7,207.91
Administration fees	-
Total taxes	1,086,037.09
State and Local Grants -	
State revenue sharing	378,526.00
Other state grants	12,005.89
State grant - police	9,283.04
Private donations	3,310.00
Local grant - fire	3,500.00
Local grant - general	525.00
Local grant - parks	2,000.00
Liquor license fees	4,379.65
Total state and local grants	413,529.58
Contributions from other units-	
Fire protection fees	10,799.56
School police officer	35,326.02
Total other unit contributions	46,125.58
Licenses and permits	
Building and inspections	390.00
Zoning	1,325.00
Total licenses and permits	1,715.00
Fines and penalties	3,263.99
Charges for services	
Fire runs	4,530.00
Cemetery	7,770.00
Administrative services	99,608.00
Police/fire reports	354.81
Copies	132.40
Other charges	19,291.30
Sundry	80.19
Weed Cutting	-
Total Charges for Services	131,786.50
Interest and Rentals -	
Interest	41,670.54
Rents	975.00
Total Interest and Rentals	42,645.54
Miscellaneous	-
Total Revenues	1,725,083.28
Transfers	
Out to seperation pay	(6,960.00)
In from perpetual care	2,792.79
In from ambulance building fund	100.00
In from capital projects	45,279.47
Total transfers	41,212.26
EXPENDITURES	1,678,097.16
NET CHANGE IN FUND BALANCE	88,198.36
FUND BALANCE - July 1, 2005	529,110.90
FUND BALANCE - June 30, 2006	\$ 617,309.28

CITY OF ROGERS CITY
Presque Isle County, Michigan

GENERAL FUND
DETAIL OF EXPENDITURES
Year ended June 30, 2006

EXPENDITURES:

GENERAL GOVERNMENT:

Mayor and City Council-

Salaries	\$ 9,025.00
Fringes and taxes	690.40
Travel	12,082.44
Printing and publications	4,107.77
Education	1,110.00
Supplies and other	1,678.56
	<hr/>

Total Legislative 28,694.17

City Manager-

Wages	64,657.67
Fringes and taxes	4,994.24
Travel	970.92
Supplies and other	1,190.00
	<hr/>

Total Manager 71,812.83

Accounting-

Wages	34,455.96
Fringes and taxes	2,635.87
Programming outlay	30,005.21
Audit	7,110.00
Equipment repairs	8,070.32
Supplies and other	6,178.89
	<hr/>

Total Accounting 88,456.25

Clerk/Treasurer-

Wages	76,691.38
Fringes and taxes	6,367.65
Office and postage	3,651.40
Supplies and other	3,687.24
Printing and publication	466.38
	<hr/>

Total Clerk 90,864.05

Board of Review-

Wages	1,800.00
Fringes and taxes	137.71
Other costs	191.09
	<hr/>

Total board of review 2,128.80

Attorney-

Contracted services	14,550.00
Other costs	1,465.99
	<hr/>

Total Attorney 16,015.99

Assessor-

Contractual service	16,440.00
Legal	1,020.00
Printing and other costs	1,839.81
	<hr/>

Total Assessor 19,299.81

CITY OF ROGERS CITY
Presque Isle County, Michigan

GENERAL FUND
DETAIL OF EXPENDITURES (Continued)
Year ended June 30, 2006

EXPENDITURES (CONT.):
GENERAL GOVERNMENT (CONT.):

Elections-	
Salaries	\$ 2,377.17
Fringes and taxes	36.21
Office supplies	1,726.59
Printing and publications	746.56
Supplies and other	<u>183.41</u>
Total Elections	5,069.94
Cemetery-	
Salaries	26,994.33
Fringes and taxes	2,104.61
Equipment rental	10,570.98
Utilities	1,659.00
Other costs	<u>1,968.14</u>
Total Cemetery	43,297.06
Promotional-	
Membership and dues	3,828.00
Community promotions	<u>6,608.08</u>
Total Promotional	10,436.08
City Hall and Grounds-	
Contractual services	6,180.00
Supplies	793.24
Insurance	0.00
Utilities	11,273.02
Repairs and maintenance	2,744.99
Telephone	7,854.20
Other costs	<u>0.00</u>
Total City Hall	<u>28,845.45</u>
Total General Government	404,920.43

PUBLIC SAFETY:

Police Department-	
Salaries	279,681.75
Fringes and taxes	22,049.94
Office and postage	667.74
Operating supplies	1,301.36
Telephone	2,090.97
Gas and oil	12,159.93
Vehicle maintenance	6,426.21
Uniforms	5,143.25
Vehicle lease	14,490.12
Other	<u>3,512.12</u>
Total Police Department	347,523.39

CITY OF ROGERS CITY
Presque Isle County, Michigan

GENERAL FUND
DETAIL OF EXPENDITURES (Continued)
Year ended June 30, 2006

EXPENDITURES (CONT.):
PUBLIC SAFETY (CONT.)

School Resource Officer-	
Salaries	\$ 34,429.32
Fringes and taxes	21,560.34
Uniforms	633.21
Other	<u>46.95</u>

Total SRO 56,669.82

Fire Department-	
Salaries	31,610.24
Fringes and taxes	2,450.93
Hydrant rental	10,000.00
Repairs and maintenance	5,350.86
Other costs	<u>2,936.54</u>

Total Fire Department 52,348.57

Total Public Safety 456,541.78

PUBLIC WORKS

Department of Public Works-	
Salaries	69,507.98
Fringes and taxes	6,487.01
Supplies	1,673.11
Uniforms	5,667.72
Snow removal supplies	22,800.10
Refuse	454.31
Equipment rental	23,331.58
Other	<u>4,566.31</u>

Total DPW 134,488.12

Landfill-	
Salaries	1,567.32
Other costs	<u>3,303.38</u>

Total Landfill 4,870.70

Street lighting 39,420.97

Total Public Works 178,779.79

COMMUNITY AND ECONOMIC DEVELOPMENT:

Engineering-	
Salaries	10,170.74
Fringes and taxes	784.60
Contractual services	5,116.38
Other	<u>1,553.47</u>

Total Engineering 17,625.19

CITY OF ROGERS CITY
Presque Isle County, Michigan

GENERAL FUND
DETAIL OF EXPENDITURES (Continued)
Year ended June 30, 2006

EXPENDITURES (CONT.):

Planning and Zoning-	
Salaries	4,248.74
Fringes and taxes	325.08
Contractual services	19,387.64
Other	710.29
	<hr/>
Total planning and zoning	24,671.75
	<hr/>
Total Comm. and Econ. Development	42,296.94
RECREATION AND CULTURAL:	
Parks and Recreation-	
Wages	53,049.85
Fringes and taxes	4,097.75
Contractual services	6,731.97
Utilities	4,025.26
Repairs and maint.	13,487.30
Equipment rental	36,566.61
Entertainment	8,448.16
Supplies and other	8,981.78
	<hr/>
Total Parks and Recreation	135,388.68
	<hr/>
Total Recreation and Cultural	135,388.68
OTHER:	
Insurance and bonds	19,898.00
Employee benefits	268,546.14
Employer's share of retirement	143,869.55
Workers compensation	17,901.00
	<hr/>
Total Other	450,214.69
CAPITAL OUTLAY:	
General government	1,241.51
Public safety	7,454.86
Public works	309.00
Parks and recreation	949.50
	<hr/>
Total Capital Outlay	9,954.87
	<hr/>
Total Expenditures	\$ 1,678,097.18

CITY OF ROGERS CITY
Presque Isle County, Michigan

BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

		Special Revenue Funds		
		Band Fund	Small Cities Fund	Justice Training Fund
<u>ASSETS:</u>				
Current Assets:				
Cash and Certificate of Deposit	\$	170.15	\$ 302,275.76	\$ 1,148.75
Due from other funds		-	-	-
Other receivables		-	51,518.16	-
Taxes receivable		92.09	-	-
Total Assets		<u>262.24</u>	<u>353,793.92</u>	<u>1,148.75</u>
<u>LIABILITIES:</u>				
Liabilities:				
Due to other funds		-	-	-
Accounts payable		-	-	-
Total Liabilities		-	-	-
<u>FUND BALANCES:</u>				
Reserved- Nonexpendable		-	-	-
Unreserved - Designated		-	-	-
Unreserved - Undesignated		262.24	353,793.92	1,148.75
Total Fund Balances		<u>262.24</u>	<u>353,793.92</u>	<u>1,148.75</u>
Total Liabilities and Fund Balances	\$	<u>262.24</u>	\$ <u>353,793.92</u>	\$ <u>1,148.75</u>

The accompanying notes are an integral part of the financial sta

<u>Capital Projects</u>		<u>Permannent Fund</u>	
<u>Industrial Park Fund</u>		<u>Perpetual Care Fund</u>	<u>Total</u>
-	\$	142,158.31	\$ 445,752.97
-		-	-
-		-	51,518.16
-		-	92.09
-		142,158.31	497,363.22
-		2,792.79	2,792.79
-		-	-
-		2,792.79	2,792.79
-		139,365.52	139,365.52
-		-	-
-		-	355,204.91
-		139,365.52	494,570.43
-	\$	142,158.31	\$ 497,363.22

tements.

CITY OF ROGERS CITY
Presque Isle County, Michigan

NONMAJOR GOVERNMENT FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2006

	Special Revenue Funds		
	Band Fund	Small Cities Fund	Act 302 Fund
REVENUES:			
Property taxes	\$ 11,834.56	\$ -	\$ -
State grants	-	-	1,758.98
Contributions from other units	-	-	-
Charges for services	-	-	-
Interest	20.65	14,052.47	-
Rental	-	-	-
Other Revenue	-	-	-
Total Revenues	11,855.21	14,052.47	1,758.98
EXPENDITURES:			
General government	-	3,000.00	-
Public Safety	-	-	1,515.00
Public works	-	-	-
Community and economic development	-	-	-
Recreation and culture	11,715.34	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	11,715.34	3,000.00	1,515.00
OTHER FINANCING SOURCES (USES):			
Transfer from other funds	-	-	-
Transfer to other funds	-	-	-
Net Other Financing Sources (Uses)	-	-	-
NET CHANGE IN FUND BALANCE	139.87	11,052.47	243.98
FUND BALANCE - BEGINNING OF YEAR	122.37	342,741.45	904.77
FUND BALANCE - END OF YEAR	\$ 262.24	\$ 353,793.92	\$ 1,148.75

<u>Capital Projects</u>	<u>Trust & Agency</u>	<u>Total</u>
<u>Industrial Park</u>	<u>Perpetual Care</u>	<u>Nonmajor</u>
<u>Fund</u>	<u>Fund</u>	<u>Government</u>
<u>Funds</u>		
\$ -	\$ -	\$ 11,834.56
-	-	1,758.98
-	-	-
-	-	-
-	2,792.79	16,865.91
-	-	-
-	300.00	300.00
-	3,092.79	30,759.45
-	-	3,000.00
-	-	1,515.00
-	-	-
-	-	-
-	-	11,715.34
-	-	-
-	-	-
-	-	-
-	-	16,230.34
-	-	-
(45,279.47)	(2,792.79)	(48,072.26)
(45,279.47)	(2,792.79)	(48,072.26)
(45,279.47)	300.00	(33,543.15)
45,279.47	139,065.52	528,113.58
\$ -	\$ 139,365.52	\$ 494,570.43

CITY OF ROGERS CITY
Preque Isle County, Michigan

COMPONENT UNIT
DOWNTOWN DEVELOPMENT FUND
SCHEDULE OF INDEBTEDNESS
June 30, 2006

TYPE OF ISSUE: Industrial Park Land Purchase - Huron National Bank

INTEREST RATE: 7.51%
TOTAL AUTHORIZED ISSUE: 250,000

Date	Principal	Interest	Total
12/31/2006	\$ 7,301.47	\$ 7,037.80	\$ 14,339.27
6/30/2007	7,917.93	6,421.34	14,339.27
12/31/2007	8,251.55	6,087.72	14,339.27
6/30/2008	8,561.40	5,777.87	14,339.27
12/31/2008	8,882.88	5,456.39	14,339.27
6/30/2009	9,216.43	5,122.84	14,339.27
12/31/2009	9,562.51	4,776.76	14,339.27
6/30/2010	9,921.58	4,417.69	14,339.27
12/31/2010	10,294.13	4,045.14	14,339.27
6/30/2011	10,680.68	3,658.59	14,339.27
12/31/2011	11,081.74	3,257.53	14,339.27
6/30/2012	11,497.86	2,841.41	14,339.27
12/31/2012	11,929.60	2,409.67	14,339.27
6/30/2013	12,377.56	1,961.71	14,339.27
12/31/2013	12,842.34	1,496.93	14,339.27
6/30/2014	13,324.56	1,014.71	14,339.27
12/31/2014	13,698.21	509.64	14,207.85
	<u>\$ 177,342.43</u>	<u>\$ 66,293.74</u>	<u>\$ 243,636.17</u>

CITY OF ROGERS CITY
Preque Isle County, Michigan

MARINA FUND
 SCHEDULE OF INDEBTEDNESS
June 30, 2006

TYPE OF ISSUE: 1994 General Obligation Bonds
 PURPOSE OF ISSUE: Harbor Expansion
 INTEREST RATE: 5.375 - 5.75%
 ORIGINAL ISSUE: 450,000

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
11/1/2006 \$	35,000.00	\$ 4,387.50	\$ 39,387.50
5/1/2007	-	3,425.00	3,425.00
11/1/2007	40,000.00	3,425.00	43,425.00
5/1/2008	-	2,300.00	2,300.00
11/1/2008	40,000.00	2,300.00	42,300.00
5/1/2009	-	1,150.00	1,150.00
11/1/2009	40,000.00	1,150.00	41,150.00
\$	<u>155,000.00</u>	\$ <u>18,137.50</u>	\$ <u>173,137.50</u>

CITY OF ROGERS CITY
Pregue Isle County, Michigan

MARINA FUND
 SCHEDULE OF INDEBTEDNESS
June 30, 2006

TYPE OF ISSUE: 1995 General Obligation Bonds
 PURPOSE OF ISSUE: Harbor Expansion
 INTEREST RATE: 5.2 - 5.7%
 ORIGINAL ISSUE: 475,000

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
11/1/2006	\$ -	\$ 4,125.00	\$ 4,125.00
5/1/2007	30,000.00	4,125.00	34,125.00
11/1/2007	-	3,330.00	3,330.00
5/1/2008	30,000.00	3,330.00	33,330.00
11/1/2008	-	2,520.00	2,520.00
5/1/2009	30,000.00	2,520.00	32,520.00
11/1/2009	-	1,695.00	1,695.00
5/1/2010	30,000.00	1,695.00	31,695.00
11/1/2010	-	855.00	855.00
5/1/2011	30,000.00	855.00	30,855.00
	<u>\$ 150,000.00</u>	<u>\$ 25,050.00</u>	<u>\$ 175,050.00</u>

CITY OF ROGERS CITY
Preque Isle County, Michigan

MARINA FUND
 SCHEDULE OF INDEBTEDNESS
June 30, 2006

TYPE OF ISSUE: 2000 General Obligation Bonds
 PURPOSE OF ISSUE: Harbor Expansion
 INTEREST RATE: 5.05 - 5.45%
 ORIGINAL ISSUE: 465,000

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
11/1/2006	\$ 25,000.00	\$ 10,420.00	\$ 35,420.00
5/1/2007	-	9,788.75	9,788.75
11/1/2007	30,000.00	9,788.75	39,788.75
5/1/2008	-	9,023.75	9,023.75
11/1/2008	30,000.00	9,023.75	39,023.75
5/1/2009	-	8,258.75	8,258.75
11/1/2009	35,000.00	8,258.75	43,258.75
5/1/2010	-	7,357.50	7,357.50
11/1/2010	35,000.00	7,357.50	42,357.50
5/1/2011	-	6,403.75	6,403.75
11/1/2011	40,000.00	6,403.75	46,403.75
5/1/2012	-	5,313.75	5,313.75
11/1/2012	45,000.00	5,313.75	50,313.75
5/1/2013	-	4,087.50	4,087.50
11/1/2013	50,000.00	4,087.50	54,087.50
5/1/2014	-	2,725.00	2,725.00
11/1/2014	50,000.00	2,725.00	52,725.00
5/1/2015	-	1,362.50	1,362.50
11/1/2015	50,000.00	1,362.50	51,362.50
	\$ <u>390,000.00</u>	\$ <u>119,062.50</u>	\$ <u>509,062.50</u>

CITY OF ROGERS CITY
Preque Isle County, Michigan

GENERAL INDEBTNESS
COMMUNITY DEVELOPMENT GRANT/LOAN
SCHEDULE OF INDEBTEDNESS
June 30, 2006

INTEREST RATE: 0.00%
ORIGINAL ISSUE: 200,000

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
9/1/2007	\$ 7,142.86	\$ -	\$ 7,142.86
12/1/2007	7,142.86	-	7,142.86
3/1/2008	7,142.86	-	7,142.86
6/1/2008	7,142.86	-	7,142.86
9/1/2008	7,142.86	-	7,142.86
12/1/2008	7,142.86	-	7,142.86
3/1/2009	7,142.86	-	7,142.86
6/1/2009	7,142.86	-	7,142.86
9/1/2009	7,142.86	-	7,142.86
12/1/2009	7,142.86	-	7,142.86
3/1/2010	7,142.86	-	7,142.86
6/1/2010	7,142.86	-	7,142.86
9/1/2010	7,142.86	-	7,142.86
12/1/2010	7,142.86	-	7,142.86
3/1/2011	7,142.86	-	7,142.86
6/1/2011	7,142.86	-	7,142.86
9/1/2011	7,142.86	-	7,142.86
12/1/2011	7,142.86	-	7,142.86
3/1/2012	7,142.86	-	7,142.86
6/1/2012	7,142.86	-	7,142.86
9/1/2012	7,142.86	-	7,142.86
12/1/2012	7,142.86	-	7,142.86
3/1/2013	7,142.86	-	7,142.86
6/1/2013	7,142.86	-	7,142.86
9/1/2013	7,142.86	-	7,142.86
12/1/2013	7,142.86	-	7,142.86
3/1/2014	7,142.86	-	7,142.86
6/1/2014	7,142.78	-	7,142.78
	\$ <u>200,000.00</u>	\$ <u>-</u>	\$ <u>200,000.00</u>

Quast, Janke and Company, P.C.
Certified Public Accountants

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David G. Gwizdala, C.P.A.

Members:
American Institute of C.P.A.'s
Michigan Association of C.P.A.'s

October 19, 2006

Honorable Mayor and Members of the City Council
City of Rogers City
193 East Michigan Ave
Rogers City, MI 49779

Dear Mayor and Council members:

In planning and performing our audit of the financial statements of the City of Rogers City for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 19, 2006 on the financial statements of the City. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, or assist you in implementing the recommendations. Our comments are summarized as follows:

Administrative Fees

The general fund charges administrative fees to various other funds for services performed by general fund employees, supplies and incidentals, and office space. The City could not provide documentation as to how the chargers were calculated to the other funds nor the composition of the related expenses.

We recommend the City calculate the cost of the common administrative expenses that should be shared by other funds and document the amount and types of expenses to be shared by all funds for various administrative costs.

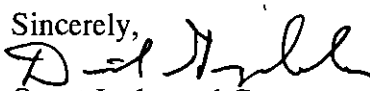
Budget and Expenditures

Expenditures exceeded appropriations in two activities of the General Fund, Accounting and Auditing and Street Lighting. The details of the excess expenditures are explained in the notes of the financial statements.

Additionally, a budget amendment was prepared after an expenditure was incurred but not paid. We recommend the City establish procedures for monitoring budget deficits prior to incurring excess expenditures.

This report is intended solely for the information and use of City council, management and others within the organization and is not intended to be used for any other purpose.

We would like to thank the City staff for the assistance and cooperation shown to us during the audit.

Sincerely,

Quast Janke and Company
David Gwizdala, Partner